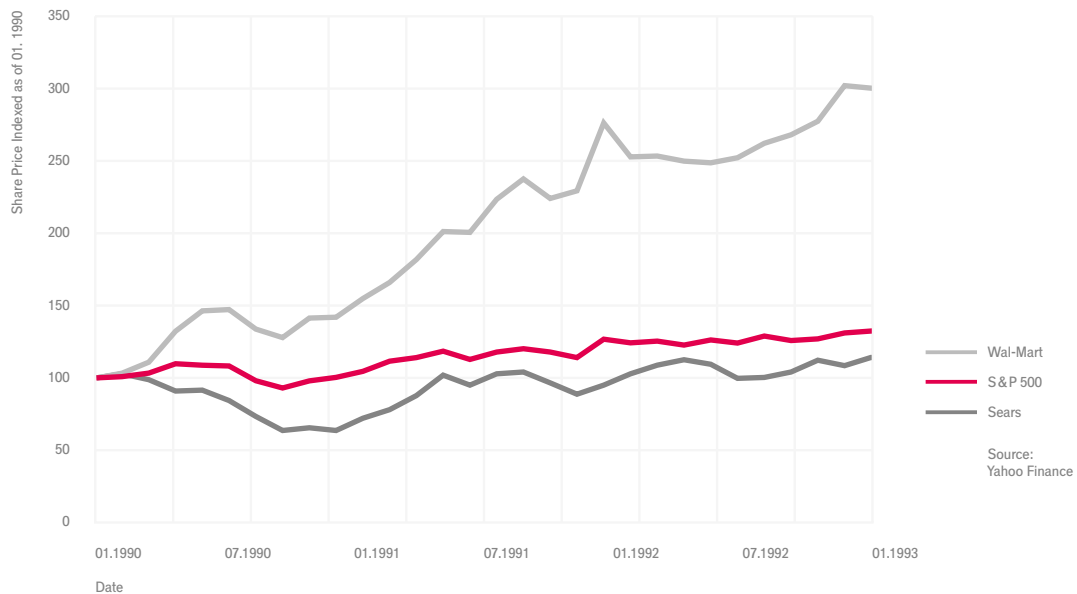


Interbrand Insights

Leveraging Brand Value in a Downturn

In the last recession, what did Wal-Mart have that Sears lacked?
A strong and differentiated brand.



Historically, retailers have followed market trends quite closely. In the recession of the early '90s however, Wal-Mart showed that it could buck the slow pace of the economy and reap economic benefits. How? By offering a clear value proposition to consumers and delivering on it. Wal-Mart built its brand by aligning its organization to deliver the brand in everything it did.

This is Brand Value Management in action. Today's most successful companies manage their intangible assets as intensely as their tangible assets.

In the face of a slowing economy, most companies scrutinize their physical assets in order to assess what is critical for their business and what is expendable. However, these same companies also decide to cut investments needed to support their intangible assets, including brands, without even a cursory examination of the ramifications.

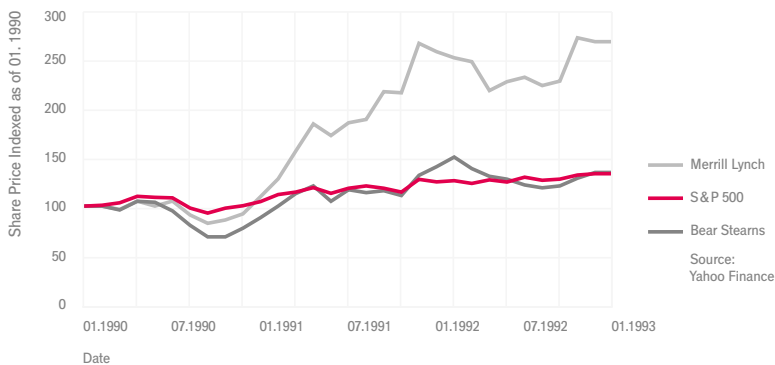
Successful companies such as Wal-Mart have demonstrated that managing your brand assets with the same intensity as your portfolio of tangible assets can generate significant long-term returns. Recessionary cycles are not the time to cut all spending in support of your brand; rather, it is time to spend more efficiently.

As a first step in your internal analysis, Interbrand has created a Brand Efficiency Audit to help you identify the drivers of value in your brand portfolio. This focused assessment will help you realize the maximum return on your brand investment, even in the most difficult of economic cycles.

Our Brand Efficiency Audit is a management tool designed to:

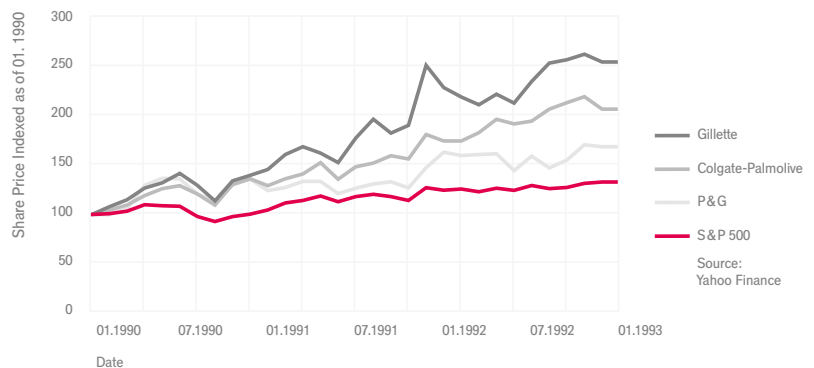
- Establish a foundation for achieving financial targets
- Determine the return on specific brand related investments
- Provide guidelines for management of a portfolio of brands
- Reinforce and leverage the loyalty your brands enjoy among key customers

Lessons learned from the recession of the early '90s are illustrative in today's potentially serious economic slowdown. The following graphs are examples of industries and companies where a well-managed brand alleviated cost and inflation pressures and stresses on earnings in order to maximize share price.



Merrill Lynch was seeing the return on its early '90s branding investment in its ability to build and leverage its reputation in a broader market. It may have outspent Bear Stearns to do so, but the positive return was clear.

Branded goods companies, who have been delivering trusted products to consumers for 50 years or more, can be more certain about customer loyalty. The market appreciates this security of earnings.



How To Leverage Brand Value: Ten Lessons in Branding Best Practice

- 1 Audit Your Brand Investment Portfolio.** Audit the brand assets that you have as part of your corporate or line of business brands to determine what is really valuable and what is not; what could be phased out, what could be sold, what should be kept. Take advantage of this time to prune your brand assets to find the greatest opportunities for managed growth.
- 2 Focus on Contingency Planning.** Develop scenarios just as you would with physical assets – which would be the first to go? Which the second? Which brands are critical to your core business and you would keep at all costs?
- 3 Enhance Customer Insight.** In a downturn, many companies see research as expendable. However, understanding their customers at this moment is even more critical. You should protect your budget and preserve the longer-term projects concerning innovation and trends. Your business must know where your customers are going over a time horizon that will allow you to come through the downturn in a better competitive position.
- 4 Build Internal Brand Supports.** Examine ways in which the stronger brands in the portfolio (or the stronger businesses) could support the marketing efforts of the weaker brands or weaker businesses. Now is a good time to determine if every subtle brand distinction actually matters to customers.
- 5 Evaluate and Eviscerate.** Take a sharp knife to every unnecessary product brand, sub-brand or program brand. Business units have a habit of creating new brands for reasons other than for the benefit of customers or the bottom line. Each of these costs money to support and distracts attention from core issues.
- 6 Build on Existing Equities.** Having identified which brands enjoy the strongest customer loyalty, companies should explore ways of further leveraging these brands. Product line extensions and licensing can be especially powerful as efficient ways of unlocking brand potential.
- 7 Don't Compromise on Your Brand Promise.** There might be temptation to cut back on product quality or service quality in order to squeeze a few extra margin points. Don't do it! If you lose confidence in your brand's promise, your customers will be the first to know.
- 8 Don't Discount Accrued Brand Value.** Resist the temptation to use price discounting to maintain volume targets. Take the risk of losing a few customers in the short-term and focus on revenue rather than volume. It will cost much more to reverse the negative impression of "the deep discount" after the event than it accrues your business in the short term.
- 9 Keep Talking.** Don't stop communicating with your customers. In a downturn, people don't stop buying; they just buy more cleverly. Take advantage of the general decrease in marketing spending to grab a larger share of voice and define yourself in a less cluttered marketplace. In good times, the best tactic may be advertising, but now is the time to evaluate less traditional ways of communicating with your customers.
- 10 Define Minimum Standards of Upkeep.** It is important to understand what brand investment must be sustained in order to protect your asset. The amount of dollars necessary to retain your brand's value is money worth spending.

Interbrand has been building brand value for over twenty-five years. As the world's preeminent branding consultancy with offices in 18 countries around the globe, Interbrand sets the standard in working with clients to create and manage their most valuable assets...their brands.

If you want to discuss how to protect your brands in a slowing economy or want more details about our Brand Efficiency Audit, contact Interbrand.

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